

## **Minutes of Audit Committee Regular Meeting of October 6, 2014**

One Twin Pines Lane

### **REGULAR MEETING, City Hall, Suite 360**

**CALL TO ORDER 4:17 P.M.**

#### **ROLL CALL**

COMMITTEE MEMBERS PRESENT: Violet, Reed

COMMITTEE MEMBERS ABSENT: Braunstein

STAFF PRESENT: Finance Director Fil, Deputy Finance Director Lazzari, City Manager Scoles, Management Analyst Voelker

OTHERS PRESENT: Mark Wong, Principal, Maze & Associates (Invited); Grace Zhang, Maze & Associates (Invited); Perry Kennan, Belmont Resident; Dick Ashby, Finance Commission Chair

#### **ORAL COMMUNICATION/PUBLIC COMMENTS**

**Perry Kennan**, Belmont resident, stated that the City's Comprehensive Annual Financial Report (CAFR) was not posted on the City's website as of this morning.

#### **CONSENT CALENDAR**

**ACTION**: Moved by Chair Violet, August 19<sup>th</sup> minutes were noted and filed (Committee Member Reed abstained).

#### **OTHER BUSINESS**

##### **FY 14 Audit Results**

Director Fil began by clarifying that the City is responsible for producing the financial statements, and it is the independent auditor's responsibility to opine on whether the information is fairly presented. He continued on, noting that the City had a very successful 2014, adding capacity to its reserves. He spoke briefly on the lingering challenge of the deferred maintenance of infrastructure, alerting the Committee that, if not addressed, could upset the City's General Fund in the near future.

Deputy Director Lazzari began her review of the FY 2014 audit, noting that the General Fund ended ahead of estimates and with significant growth, at \$8.2 million. She continued with a concise review, and fielded questions from Committee Member Reed. Discussion ensued regarding the differences between Governmental Accounting Standards (GASB) and more traditional Financial Accounting Standards (FASB) utilized by the private sector.

Principal Mark Wong began his required communication to the Audit Committee, noting that a clean opinion was issued in the Memorandum on Internal Control, which reported no material weaknesses or significant deficiencies found in this year's audit. He alerted the Committee that there will be a substantial liability on the City's books next year regarding the net pension liability (CalPERS). Discussion ensued.

Director Fil explained new requirements for next year's reporting directly relating to reporting of CalPERS pension liabilities (GASB 68). Due to CalPERS' inability to perform the required calculations in time for reporting, it's very likely that the City will not be able to issue the CAFR early, as has been the custom. Discussion ensued on the implications of GASB 68.

Principal Wong addressed the pending litigation between the City of Belmont as Successor Agency to the RDA and the Department of Finance (DoF). He noted that, if there is any liability as a result of this, the City assumes it will be immaterial. He added a brief status update on the settlement. Further discussion ensued.

The independent auditors thanked staff, in particular Deputy Director Lazzari for her long hours of work and for getting the audit done in such a timely fashion this year, as Belmont was the first city to issue its CAFR.

**Perry Kennan**, Belmont resident, stated that a note on the state of the City's deferred infrastructure maintenance should be more prominent in the CAFR. He spoke on Measure A funds accounting and Gas Tax as it relates to the Infrastructure Ad-Hoc Committee's efforts.

The Audit Committee agreed that the CAFR and all related reports were noted and filed.

#### **Consideration of Draft Audit Committee Annual Report**

Director Fil asked the Audit Committee for specific points of emphasis they would like to make at the upcoming Council meeting, as part of their report to Council. Discussion ensued.

**ACTION:** Moved by Committee Member Reed, seconded by Chair Violet, by unanimous voice vote, the annual Audit Committee report was recommended for approval by the City Council.

#### **Consideration of Roles & Responsibilities of the Audit Committee**

Director Fil cited Council's objective to implement policy modifications to improve organizational efficiency and effectiveness of the City Council and of its appointed boards and commissions.

Discussion ensued as Director Fil and Chair Violet gave a brief history of the Audit Committee's and Finance Commission's roles. They identified challenges and opportunities with the current structure of these two bodies and pointed out that realignment of the City's financial policy within the Audit Committee's scope would be consistent with Council's directive.

Discussion ensued as the Committee discussed the advantages of expanding the Audit Committee's charter and transitioning the Finance Commission members to an advisory role. There was general consensus that this would allow more freedom for those who want to help with the City's special projects.

**Dick Ashby**, Finance Commission Chair, stated that the disclosure obligations that are required of the Finance Commission in their current role have proved to be a barrier to applicants who are

generally interested in serving on the Commission. With less structure as advisors, current Commissioners wishing to continue to serve in this capacity and others would be more able to contribute.

**Perry Kennan**, Belmont Resident, voiced his concerns with the Brown Act and stated that he believes the Audit Committee should be a regulatory body, and the Finance Commission should be an advisory body.

Discussion ensued. The Audit Committee reviewed the timeline as to next steps regarding this item.

**ACTION**: Moved by Chair Violet, seconded by Committee Member Reed, by unanimous voice vote, the Audit Committee directed staff to move forward with the process of recommending to Council the expansion of the Audit Committee's role, with realignment of the Finance Commission's duties, and Commissioners serving as advisors.

## **COMMITTEE UPDATES AND STAFF ITEMS**

### **Meeting Calendar**

The Committee confirmed that the next scheduled meeting will take place sometime in January or February, time and date to be determined.

**ADJOURNMENT 5:55 p.m.**

**Thomas Fil**  
**Finance Director**